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TARIFF RATES ON HARDWARE

BY CHARLES W. ASBURY,

President American Hardware Manufacturers' Association, Philadelphia.

Theoretically considered, tariff rates should represent the difference between the cost of production in the United States and in foreign lands. From a protectionist's viewpoint there should be, in addition to this, a margin of safety to provide against varying conditions. The costs of production are continually fluctuating, for the obvious reason that costs of raw material and of labor are continually changing. In times of great business activity the costs advance, and, generally speaking, in times of business depression the costs decline. Periods may come when the demand is far more active within our own borders than within the borders of our industrial competitors abroad. The tariff rates, therefore, should be sufficiently high to provide for these natural differences, and should be sufficient to fully protect those who work with their hands against the competition of the lower-priced labor elsewhere.

The real difficulty in undertaking to arrange tariff schedules scientifically is to determine the cost of production. Manufacturers of hardware have been giving most earnest study to ways and means of determining, with a fair degree of accuracy, their own costs. This is by no means a simple or easy task, especially if an attempt is made to manufacture a number of different lines of goods. It is comparatively easy to keep a record of the actual time of employees currently spent in the production of anything; but there are so many items of expense hard to apportion among the different lines, such, for instance, as supplies for the plant, non-productive help, etc. This apportionment must be the result of experience, and a corps of intelligent employees must be provided to keep currently the necessary records for use in determining costs. If, therefore, it be considered that the manufacturer himself finds great difficulty in determining accurately his own costs, then it is but logical to conclude that any congressional committee, or any body created by Congress, would find it almost an impossibility to determine, with any degree of accuracy, what the tariff rates should be upon the theoretical basis of difference in cost of

production here and abroad. In the case of hardware, it will be seen that the difficulties are magnified certainly beyond the average of other classes of manufactured goods.

The term "hardware" includes a wide variety of articles, ranging from those usually looked upon as raw material, because of the small amount of finishing they require, to that class of article which is highly finished, and upon which the labor forms a very high percentage of the total cost.

It might truthfully be said that 5 per cent duty would be sufficient upon the former, although it might be, that the latter would require a protection of 100 per cent or more. This statement is made with a thorough realization of the theory of arranging the tariffs to provide for the difference in the cost of production, as above explained.

There is probably little appreciation of the wide variety of goods usually classified as "hardware." As an illustration, a single item might be selected and divided into its correlative constituents. Take wire, for instance: First, we find wire in different metals—German-silver, aluminum, iron, steel, bronze, brass, tin, lead and solder. In iron and steel wire we have plain, galvanized and tinned. In copper and aluminum wire we have the large variety of insulated wires, as well as plain. We also have awl wire, baling wire, barbed wire, basket handle wire, belt hook wire, bookbinder and bottling wire, broom and brush wire, bundling wire, button fastening wire, crimping wire, dental wire, and in addition a large variety of wire cords, ropes, cables and wire cloth, as well as a large list of articles in which wire constitutes the chief raw material from which they are made.

It will be readily seen that the labor cost in many of these items is relatively higher than in others. Consequently if equitable tariff rates should be desired upon wire, each kind, quality and size would have to be considered by itself, and a rate made in accordance with the theory first advanced, that is, covering the difference between the cost of production here and abroad, with a fair margin to cover fluctuating conditions.

It will, of course, be understood that we have selected but one item usually classified as "hardware," whereas there are really thousands of items within the classification, ranging from such low-priced items as nails, tacks, and screws, to highly finished and ex-

pensive goods, such as razors, tools and even watches and clocks. It is, therefore, unthinkable to attempt to answer succinctly the question, "What ought the tariff rates to be on hardware?"

This same reasoning would apply to many other lines upon which there is no specific classification under the laws which have been enacted. Generally speaking, the magnitude of the task of framing an equitable and just tariff law is little appreciated. The law-making bodies, as at present constituted, cannot be expected to possess, or have the means of acquiring, the intimate knowledge of all of our industries, necessary for the enactment of scientifically perfect schedules in a tariff law. It has, therefore, been urged, in some quarters, that a permanent commission be created, with members appointed for life, or during good behavior, at salaries consistent with the responsibilities of the office, and with powers to call witnesses and appoint special agents for investigations at home and abroad, in order that each item may be carefully considered upon its own merits, after a thorough investigation of all of the conditions surrounding it.

The theory advanced by those who favor the creation of such a commission is, that it could keep well and currently informed as to each item and its fluctuating costs at home and abroad, making frequent reports to Congress of its findings, recommending the rates of duty which should be applied. It would be necessary to leave the ultimate fixing of rates to the Congress itself, but the reports and recommendations of the commission would probably be accepted by the public as dependable, and the maximum of confidence could, therefore, be placed in a tariff bill so created. Such a course, if adopted, would probably eliminate the cycle of business unrest which usually accompanies tariff agitation.

At the last session of Congress a bill was introduced authorizing the creation of a commission as above described, and Senator Beveridge advanced some very pointed and logical arguments in favor of it. He quoted section 193 of the tariff act now in force, in which section a large proportion of the articles usually classified as "hardware" are entered for customs purposes. This section reads:

Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum, or other metal, and whether partly or wholly manufactured, 45 per cent ad valorem.

Referring to this particular section Senator Beveridge said:

Under this paragraph our customs officers have subjected to a duty of 45 per cent ad valorem, stoves, implements, electrical apparatus, gold and silver boxes, tin or brass boxes, brass tubes for bedsteads, brass sheets, bronze crosses for churches, bullets, bull's-eye lanterns, buttons with metal shanks, carriages, carts, railway cars, automobiles, cannons, chafing dishes, chisels, church bells, coal scuttles, nails, copper wire cranks and shafts, drawing instruments, dress trimmings in which metal is the material of chief value, dyes, tools, pistols and other firearms, etc. These are only a few instances taken from an alphabetical arrangement of the tariff decisions, there are thousands like them and even more absurd.

Will anyone contend that a simple article like nails should have the same rate as an electric dynamo?

Is there any logic in classing buttons and stoves together?

Should bullets and buggies, should automobiles and bull's-eye lanterns pay the same duty?

Are farm implements and gold boxes in the same class?

Is there any connection between carriages and dress trimmings?

Is there any reason why cannon for war, and crosses for churches should be classified alike?

Yet all these are in the same classification and pay the same rates; but more absurd than this is the fact that they are put in the same classification by the appraisers and the courts passing on each article because Congress did not classify them at all. Nobody knew what duties these articles would have to pay until the guess of the appraisers and the courts filled up the holes in the law.

Much might be said in discussing the question of tariff broadly from a political standpoint, but I will refrain from any such attempt, confining myself to a business view of the subject. The present law has been severely criticised upon the ground that the average of its schedules is much higher than conditions warrant; also upon the ground that its schedules are inequitable, some being excessively high, while others are inadequate to afford a reasonable measure of protection.

Referring to the first objection, the protectionist says "it is a good fault." He fails to see the injustice of schedules higher than necessary. He argues that it makes little difference if it be admitted that the tariff rates should be thoroughly protective, whether or not higher duties are charged, because a protective tariff would minimize imports, and if the rate be higher than necessary, it will do no harm, because the same minimum applies.

Of course, the answer to this is, that certain combinations

might control the production of those goods which were excessively protected, in which event it would be possible for them to maintain abnormally excessively high selling prices, and thus do a grave injustice to the public at large. When we reach this point it naturally opens the door for a discussion of the trust problem with all of its complications, and upon this it is not my purpose to enter.

Referring to the second objection to the present law, namely, that its schedules are inequitable, this I think will be generally admitted, but it must be remembered that it is practically impossible to frame a law which will provide equitably for the thousands upon thousands of items necessarily to be considered in connection with our total imports and the great variety of our manufactured goods.

Some idea of the greatness of this problem might be had from the thought that nearly every object upon which the eye rests is included in the variety, and in order to provide equitable tariff rates, each single item would have to be figured separately, its cost of production obtained in some way, and the cost of the production of the same article in many foreign lands also ascertained. Such a task is almost too large for handling by the Congress of the United States or any other duly constituted body. It, therefore, becomes necessary to take certain aggregations of similar goods and combine them into single schedules in framing the tariff bill. It would seem to me, therefore, that the present statute is not properly subject to the severe criticism it has received. I am inclined to entertain a large measure of confidence in the ability of the men who framed it, although I am conscious of the fact that conditions have materially changed since its birth, and that a fair, reasonable revision would be beneficial.

In conclusion I will make an attempt to answer the question, "What ought the tariff rates to be on hardware?" in a general way by asserting my belief that the existing rates are not materially higher than they should be if fair, reasonable and equitable protection is to be given to the industries and their employees. Fortunately in the tariff question there can be no issue between employer and employee; their interests are coincident and parallel. Upon this question labor certainly secures its full measure of benefit without assuming the risks incident to the investment in property necessary to the industrial employer.